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FORMER USSR UPDATE:
Focus on Russian Grain Marketing

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Summary

Reduced State procurement and increased private grain sales have heightened the influence of market forces on Russian grain prices, moving them closer to world levels. In 1996, further movement of domestic prices toward world market levels should continue. Despite progress in deregulation of Russia's grain market, barriers remain to the creation of an efficient market for grain. They include continued restrictions on grain prices and free movement imposed by many regional governments. Another barrier is the country's poorly developed physical and institutional infrastructure. While only minimal progress in reducing these barriers can be expected in the near term, over the next 10-15 years they should be largely removed.

Higher domestic prices should encourage higher grain production while reducing consumption, resulting in lower demand for total imports than would be the case with lower prices. Higher grain prices in Russia would help maintain the sizable gap between Russian prices and comparable prices in Kazakstan or Ukraine, encouraging grain exports from those two countries to Russia. While these factors could depress Western grain exports to European Russia, higher domestic Russian grain prices should give the Russian Far East added incentive to import grain from world markets to overcome high domestic transportation costs. Also, higher grain prices could further depress Russian wheat imports by encouraging flour imports in their place.

State Control Was Key During Soviet Era

During the Soviet era, the State was the dominant marketer of grain. Through its procurement system, whereby it dictated to farmers how much grain it would buy and at what price, the State dominated grain marketing. While farmers could sell or barter excess grain for goods or services, the volume of State procurements was set high enough in any given year to limit this practice to small or moderate levels.

The State procurement system was intended to maintain control over the country's grain market for two main reasons. The first was food security, as Soviet authorities sought to ensure adequate supplies of food, including grains, for the population to prevent political unrest. The second reason was to guarantee low and stable prices for bread, an achievement widely touted by Moscow. By fixing the price at which it bought grain from farmers, Moscow could also control the price at which it sold the grain to flour mills and, in turn, the retail price of a loaf of bread. The State also dominated grain storage and processing facilities such as elevators and flour mills. At the same time, Soviet authorities supplied farmers with fertilizers, energy, and other inputs at subsidized prices and provided other subsidies to make up for the low procurement price.

Soviet grain prices were a mere fraction of world market prices and did not fluctuate according to supply and demand conditions. In 1990, for example, the State paid farmers 300 rubles on average for a ton of grain, or about $16 per ton at the official exchange rate. In contrast, the price of U.S. food wheat (#2 hard red winter, FOB Gulf ports, less the average bonus paid under the Export Enhancement Program or EEP) averaged $112 per ton, about seven times the State procurement price. In 1990, the average price of a loaf of bread averaged 18 kopecks, less than one penny at the official exchange rate.

(All prices cited are nominal unless otherwise noted. Where appropriate, prices are converted into dollars to allow for comparability between years in light of triple-digit inflation rates since 1992. Also, the prices discussed below are characterized as either State procurement or non-State prices. Non-State prices are intended as a rough approximation of free market prices because they are more subject to the forces of supply and demand than State procurement prices.)

The State also controlled all foreign trade during the Soviet era through foreign trade organizations. As with domestic grain trade, the government determined the quantity and source of grain imports each year. Because it had to pay world market prices for imports, the Soviet government had to heavily subsidize imported grain in order to sell it to flour mills, livestock farms, and other consumers at artificially low domestic prices.

Changes Were Limited in 1992-93

With the collapse of the Soviet Union in late 1991, Russia embarked on a path of market-oriented economic reform that has transformed the grain sector through price liberalization coupled with reduced subsidies, declining State control of grain marketing channels, and increased influence of market forces on price formation. During the initial stage of reform (1992-93), authorities sought to maintain State control over grain marketing and price formation, albeit with some changes from the Soviet era.

As the State reluctantly ceded some control in subsequent years due to increased momentum of reforms and budgetary limitations, significant deregulation of the Russian grain sector took place for the first time in decades. This included sharply reduced State procurements, freer movement of grain, and increased influence of market forces in determining prices. Also, foreign trade was liberalized by removing the

Approved by the World Agricultural Outlook Board

Table 1--Russian grain prices[1]

	1991	1992	1993	1994
	1,000 rubles per ton			
Average all prices	0.41	8.84	46.7	100.6
State procurement	0.48	11.72	60.4	144.4
Non-State[2]	0.40	5.48	31.0	94.9
	Dollars per ton			
Average all prices	7	40	50	46
State procurement	8	53	65	66
Non-State[2]	7	25	33	43

[1] Data are for sales by State enterprises only.
[2] Includes sale by private grain traders, commodity exchanges, and farms through own shops. Does not include barter or in-kind payment.
Source: Russia Economic Trends (published by Tsentr ekonomicheskoi kon"iunktury, Moscow), various issues.

State's monopoly on import and export operations and establishing limited domestic convertibility of the ruble, which gave potential importers access to hard currency.

In January 1992, the Russian federal government lifted wholesale and retail price controls for a significant number of products, at the same time slashing subsidies. Farmers were caught in a price squeeze because prices for inputs such as fertilizers were generally more heavily subsidized than grain prices during the Soviet era. Once subsidies were removed, input prices rose more than output prices. Price liberalization and weak fiscal and monetary controls also unleashed high inflation for the first time in decades, further increasing farmers' costs. Russian farmers began to demand higher prices for their grain (to cover mounting production and input costs) and increasingly withheld grain when they felt the procurement price was too low.

The government responded by raising, but continuing to regulate, grain prices. Between 1991 and 1993, average grain procurement prices were increased more than 100-fold in ruble terms, and more than eight-fold in dollar terms, to 60,400 rubles ($65) per ton (table 1). This policy enabled the State to maintain its two-thirds share in total Russian grain marketed, with the volume of State grain procurements rising from 1991 to 1993. Despite much higher procurement prices, farmers increasingly faced payment delays, which proved costly in light of accelerating inflation. Nevertheless, the share of procurements in the total grain harvest increased from 26 percent in 1991 to 28 percent in 1993, its highest level since 1990. Lack of viable alternative marketing channels also helped to shore up State procurements.

In 1993, certain elements within the Russian government suggested radical reform of the grain sector involving sharp curtailment of State procurements. The influence of pro-reform elements within Yeltsin's government was reflected in a Presidential decree issued in December 1993, which intended to reduce the scope of the federal-level procurement while making regional authorities responsible for meeting local grain needs, eliminate State-set prices in favor of market prices, and remove all obstructions to the free movement of grain within Russia. While this decree would have significantly liberalized Russia's grain market, anti-reform forces inhibited its full implementation.

Procurements Decline as Private Trade Grows

Federal and regional grain procurements from all farms were cut by more than half to 12 million tons in 1994, and fell even further in 1995 (table 2). The Russian government clearly did not intend procurements to drop so sharply, because targets both years were significantly higher than actual levels achieved. For the first time in decades, the State was no longer Russia's dominant grain marketer, with its share falling from nearly two-thirds during 1991-93 to 30-40 percent in 1994-95. Federal procurements collapsed almost entirely in 1994-95, boosting the regional share of total procurements to 90 percent in 1995. The rising relative importance of regional procurements was due in part to increased political and economic clout at the regional level, a major departure from the Soviet era.

Russian farmers abandoned the State procurement system over the past 2 years largely due to inconsistent and irrational procurement price policy and lack of prompt payment. Although the December 1993 decree stipulated that all State procurement (both federal and regional) was to be at market prices, many regions continued to fix local procurement prices. At the federal level, Moscow raised farmers' expectations in 1994 by announcing "orientational prices" that were nearly double the 1993 procurement prices, and which turned out to be considerably above levels offered by private grain traders. The federal authorities were unable to pay these high prices in 1994 due to shrinking budgetary resources, and had

Table 2--State grain procurements in Russia

	1990	1991	1992	1993	1994	1995
	1,000 tons					
Total [1]	34,000	23,600	26,100	28,200	12,100	9,500
Of which:						
federal	na	na	na	na	2,300	931
regional	na	na	na	na	9,800	8,569
As % of total harvest	29	26	24	28	15	15
As % of total marketed	76	65	64	66	40	34

[1] Total procurement from all farms. Numbers in this table differ slightly from those in table 4, which presents procurement from State enterprises only.
Sources: Statkom SNG, various FBIS reports.

Table 3--Russian grain sales by major purchasing entity[1]

Country	1991	1992	1993	1994	1995	1991	1992	1993	1994	1995
	1,000 tons					*Share in percent*				
Total Grain Marketed	34,575	39,135	37,820	26,450	26,500	100	100	100	100	100
State procurements	21,540	25,007	23,864	8,861	7,500 [2]	62	64	63	34	28
Non-State channels	13,035	14,128	13,956	17,589	19,000 [2]	38	36	37	67	72
Private traders and commodity exchanges[3]	4,771	5,127	4,690	6,771	7,400 [2]	14	13	12	26	28
Other	8,263	9,001	9,266	10,818	11,600 [2]	24	23	24	41	44
Barter	484	861	1,248	2,539	3,000 [2]	1	2	3	10	11
Public via catering or in lieu of wages	7,607	8,023	7,942	8,252	8,300 [2]	22	20	21	31	31
Other (residual)	173	117	76	26	300 [2]	1	0	0	0	1

[1] Data are available for former State enterprises only. Private producers accounted for less than 10 percent of total grain marketed during 1991-95.
[2] Estimates for 1995 based on actual results for January-October.
[3] Includes direct sale by farms through own shops and stalls.
Sources: Russia Economic Trends (published by Tsentr ekonomicheskoi kon"iunktury, Moscow), various issues; Informational statistical bulletin No. 1, Russian Statistical Committee, Moscow.

to offer farmers lower prices for their grain, which contributed to the near total collapse of federal procurements.

The decline of federal grain procurements in Russia has been accompanied by the emergence of alternative marketing channels and the initial formation of a free market for grain. Already in 1993, a full one-third of Russian grain marketed went through non-State channels and by 1994-95 this share jumped to around two-thirds (table 3). Some of the reduction in State grain procurements was offset by increased marketings by private firms and commodity exchanges. Their combined share of total grain marketed rose from just over one-tenth in 1993 to nearly 30 percent in 1995.

Commodity exchanges were the first private grain marketing channel to emerge as an alternative to State procurement in 1992 and 1993. However, these exchanges failed to expand market share due to competition from higher prices offered by procurement agencies in 1993 and 1994, structural deficiencies (large number of small sized exchanges), and a lack of adequately developed contacts with grain producers and consumers.

Private grain traders, led by the largest Russian firm, OGO, eclipsed commodity exchanges and expanded their market share in recent years through aggressive business practices that include rapidly expanding contacts with individual grain producers and consumers, and purchase of their own grain elevators, mills, feeding compounds, and even bagging facilities for imported grain. In addition, private grain traders have generally offered farmers higher prices and prompt payment for their grain. The major constraint on private grain traders to date is a lack of sufficient capital and monetary resources to purchase grain for resale to clients. Another constraint is limited access to transport, storage, and other services related to grain marketing owing to continued State domination of Russia's infrastructure.

Most of the growth in non-State grain marketing has resulted from the increased use of barter and in-kind payment to workers. This is because many Russian farmers, faced with selling to the State at low prices or to fledgling private grain traders that lack sufficient capital to move large volumes of grain, chose to keep more grain on-farm for private use or on-site processing, barter it for needed goods and services, or use it as in-kind salary payment for workers. Most grain received by workers as in-kind payment is used to feed private livestock holdings.

Market Forces Affect Prices

Russian non-State grain prices have become more subject to market forces, and are beginning to better reflect domestic supply and demand conditions. In the last 1-2 years, there has been greater price differentiation between different grain crops, and also between different classes of grain. Moreover, it appears that world market prices are increasingly influencing Russian price levels and movements.

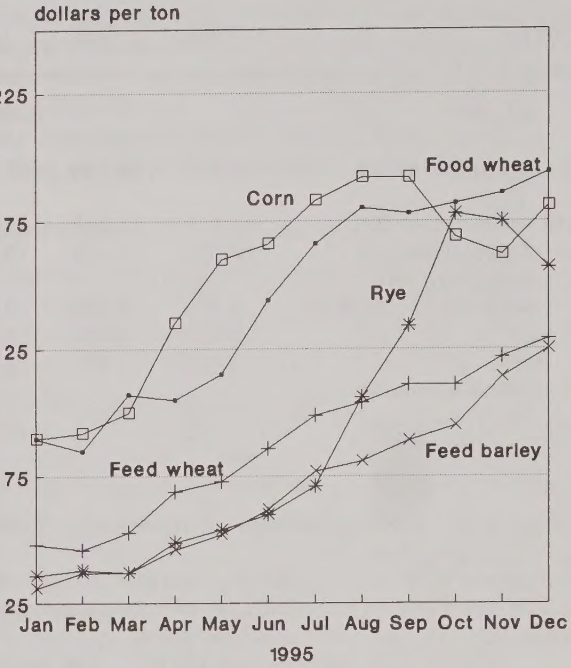
Due to significant market fragmentation, it is virtually impossible to calculate a single average market price for wheat or other grains in Russia. It would even be difficult to calculate an average market price for non-State transactions, given the relative importance of barter and in-kind transactions, which are almost impossible to accurately value. The best proxy for non-State grain prices in Russia during 1992-93 was the average price paid at commodity exchanges. During 1994-95 offers by private grain traders overshadowed commodity exchange turnover and therefore provide the best proxy of non-State prices for the past 2 years.

Table 4--Russian and U.S. food wheat prices

	1992	1993	1994	1995
	Dollars per ton			
Russian				
State proc.	43	58	73	96
Non-State	59	52	62	149
U.S.				
Incl. EEP[1]	118	104	111	169
Excl. EEP[2]	152	141	150	177

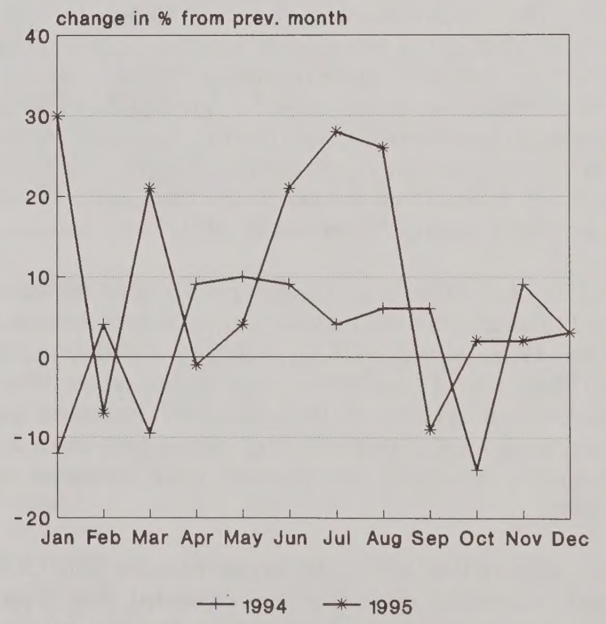
[1] Including the average bonus paid under the Export Enhancement Program (EEP).
[2] Excluding the average bonus paid under the Export Enhancement Program (EEP).
Sources:
1) Average annual Russian prices (#3 hard)
State procurement: AgraEurope, Krest'ianskie vedomosti, Interfax, Reuters.
Non-State: 1992-93: average prices of transactions on Russian commodity exchanges as reported by Krest'ianskie vedomosti.
Non-State: 1994-95: average of weekly prices reported by OGO private grain trading company, Moscow.
2) Average annual U.S. FOB Gulf prices (#2 HRW): USDA.

Figure 1
Russian Grain Prices, by Grain Type*



*Average monthly prices reported by OGO.

Figure 2
Seasonality of Russian Food Wheat Prices* (#3 Hard)



* as reported by OGO, Moscow.

The most consistent price information on private grain trade is available from OGO, which publishes data on average prices of its grain transactions throughout Russia for major grains. Many experts believe that OGO prices tend to overstate the actual prices paid by private Russian grain traders by 10-20 percent. Nevertheless, these data are useful in identifying key trends in Russia's non-State grain prices.

An examination of these prices demonstrates the increased influence of market forces on non-State price formation. For example, the data show that the price of Russian food wheat (#3 hard) sold at commodity exchanges or by private traders more than tripled in dollar terms from $54 per ton in November 1992 to around $150-200 in late 1995. This helped drive the price of Russian food wheat reportedly paid by OGO in late 1995 to within 5-10 percent of the U.S. FOB Gulf price for #2 HRW, from around half of the U.S. FOB Gulf price during 1992-94 (table 4). Because the OGO price likely overstates the Russian non-State food wheat price by 10-20 percent, the average Russian non-State price for food wheat in late 1995 was probably closer to 20-30 percent of the U.S. FOB Gulf price. At the same time, the price offered by federal procurement organizations was within 30-40 percent of the U.S. FOB Gulf price.

The sharp increase in 1995 Russian grain prices in real terms can also be explained by the large drop in grain output and tight stocks. Prices by grain type also reflected the increased influence of market forces (figure 1). For example, prices paid for corn, as reported by OGO, were extremely high during most of 1995, reflecting the sharp drop in 1994/95 corn production and imports. Projected Russian 1995/96 corn output nearly doubled from 1994/95, and corn imports also increased, possibly due to relatively high internal prices. As a result, corn prices fell in the fourth-quarter 1995. Rye and barley prices showed the largest yearly increases, 433 and 402 percent, respectively, due to sharply reduced 1995/96 production (less than half of 1994/95 levels) and even greater declines

in stocks. Previously, rye and barley prices were among the lowest due to surplus supply.

Moreover, Russian non-State food wheat prices have shown increased seasonality in recent years, which suggests increased influence of supply and demand conditions on prices. During 1994-95, non-State wheat prices tended to peak during late summer (just before the harvest) and then drop significantly in September and October as supply was augmented by the new harvest (figure 2).

While the influence of market forces has increased, some degree of State control of grain prices still takes place, particularly at the regional level. Many localities continue Soviet-era practices of artificially maintaining local grain prices at below-market levels through subsidies and State procurements. And while the barter and in-kind sales do not represent State regulation per se, they reflect distortions in Russia's economy that have inhibited creation of a more efficient grain market.

Despite Freer Grain Flows, Restrictions Remain

In contrast to the Soviet era, when Moscow dictated grain flows both internally and abroad, Russian grain producers are now better able to choose their customers based on price, payment conditions, and other indicators. Russia has dismantled most grain export barriers at the federal level. However, many government bodies at the oblast, rayon, and city levels have established control on agricultural outflows through quotas, licenses, taxes, and complete export bans.

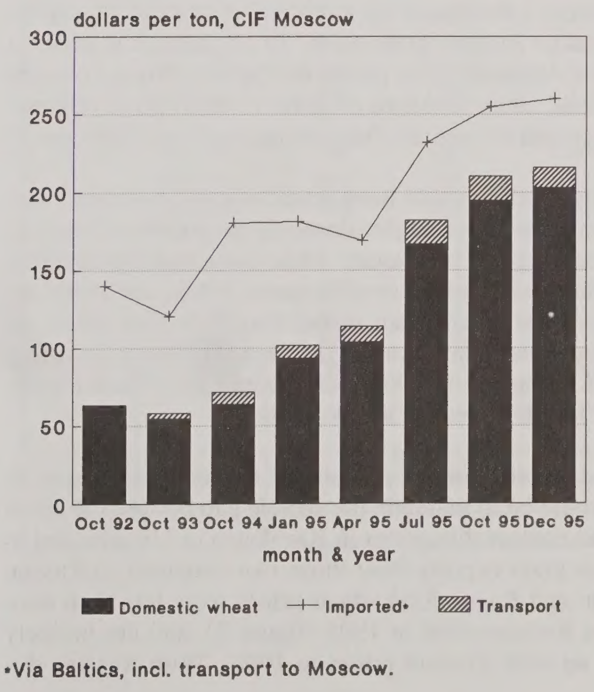
While these controls should diminish over time, their continued existence inhibits the free movement of grain within Russia and also significantly affects price formation. Regional controls on grain movement represent an indirect "tax" on Russian grain producers, even if fertilizers and other inputs are subsidized, by restricting farmers' ability to sell their grain for the highest price the market will bear. These controls reduce the farmgate price for Russian grain.

Another reason why domestic Russian prices are below world market levels is the country's deficient physical and institutional infrastructure. Examples of such deficiencies include: 1) an obsolete and inefficient domestic rail network that generates excessively high transportation costs, 2) continued State domination of grain storage and processing facilities, which reduces the efficiency and competitiveness of downstream channels, 3) underdeveloped marketing and distribution networks, and 4) inadequate dissemination of market information needed to alert farmers to attractive sales opportunities and alternative marketing channels. These deficiencies lower the effective price a Russian farmer receives for his grain by raising the costs he incurs to sell it.

Among the infrastructure deficiencies listed above, transport costs probably pose the largest burden for Russian grain producers. Transport costs have risen dramatically since 1992, as removal of subsidies has unmasked the gross inefficiency of the country's antiquated rail system. High transport costs cut into the price paid to Russian grain farmers and help reduce their price below the world market level accordingly.

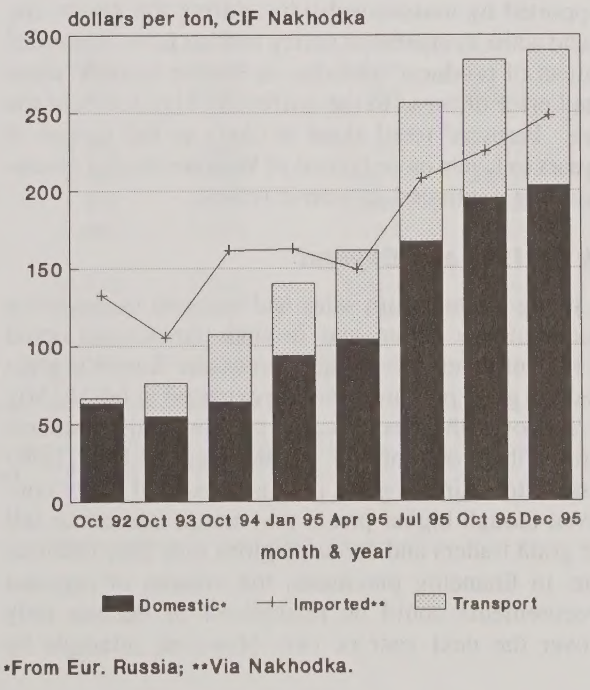
The mechanism by which this occurs is illustrated in figures 3 and 4, which compare the price of domestic versus imported food wheat in Moscow and Nakhodka in the Russian Far East. For Moscow, despite mounting transport costs, food wheat from European Russia was still about 20 percent cheaper in late 1995 than imported grain (figure 3). (The calculations compare Russian #3 hard to U.S. #2 HRW wheat, although

Figure 3
Cost of Domestic vs. Imported Wheat CIF Moscow



•Via Baltics, incl. transport to Moscow.

Figure 4
Cost of Domestic vs. Imported Wheat CIF Nakhodka



•From Eur. Russia; ••Via Nakhodka.

the U.S. wheat is likely of higher quality.) Thus, Moscow would probably buy most of its food wheat domestically, provided it is available. Nakhodka is located far from likely domestic food wheat suppliers in European Russia (West Siberia does not typically export large amounts of food wheat). Rather than pay the nearly $100 per ton to ship grain across Russia, Nakhodka would minimize costs if it imported grain through Pacific ports (figure 4). Even if current transport charges for domestic grain were halved, it would still probably be to Nakhodka's advantage to import foreign grain.

The importance of adequate market information is illustrated by Russian farmers' lack of understanding of the factors that keep domestic grain prices below world market prices. During the 1995 harvest, many Russian farmers withheld grain from sale to either State procurement organizations or private traders, insisting that they should receive world market prices or higher. Various Russian press reports in late 1995 cited farmers demanding the equivalent of $250 per ton or more for their wheat, contributing to speculation that domestic Russian wheat prices could exceed world market prices.S

In fact, prohibitively high transport costs and other factors outlined above effectively limit domestic Russian grain prices because consumers have the option of importing grain from the West, assuming importers have adequate access to hard currency (which they currently do have in Russia). This effectively caps the maximum possible Russian domestic price plus transportation to any given location at the cost of imported grain transported to that same location. Not understanding these market factors, many Russian farmers had inflated price expectations in 1995, withheld some of their grain from the market (either temporarily or altogether), and thereby inhibited free flow of grain within Russia, possibly lowering their own welfare in the process.

Russian farmers have also decried their reduced share in the retail price of a loaf of bread as an indicator of their lower welfare relative to grain processors. As of 1995, this share declined to an estimated 15-20 percent from historically high levels supported by massive subsidies during the Soviet era. Farmers and some sympathetic policy makers have demanded reinstatement of producer subsidies to restore farmers' share in the retail price of bread to the artificially high levels of the Soviet era. Farmers' retail share is likely to fall further in coming years to levels more typical of Western market economies, assuming continued economic reform.

Outlook for 1996 and Beyond

In 1996, rising private grain sales and stagnant or declining State procurements, barter, and in-kind transactions could increase the influence of market forces on Russia's grain sector. Federal grain procurements are expected to fall slightly in 1996, and over the next decade, private sector channels should crowd them out entirely. At the regional level, however, pressure to maintain grain procurement will likely continue. Even though higher prices may tempt farmers to sell to private grain traders and certain regions may face resource constraints in financing purchases, the volume of regional grain procurements could be maintained or decline only slightly over the next year or two. However, attempts by federal and regional authorities to stem the decline in State procurements over the long term or even restore State dominance in grain marketing would be extremely costly in budgetary terms and would prove unsustainable in the long term.

Private grain traders will likely take the lead in developing non-State marketing channels in coming years, and could increase their market share in 1996 with the entry of major Russian commercial banks into the grain market. Already in 1995 there were press reports of cash-rich Russian banks such as Menatep seeking entry into Russia's lucrative grain trading market.

Barter and in-kind payment are likely to remain a leading marketing channel in Russia's grain market, but should wane in subsequent years. These channels may account for a lower share of total grain marketed in 1996 as private grain traders capture more of the business by developing better contacts with individual producers and offering more attractive prices.

Reduced State procurement and increased free market sales should enable Russian grain prices to further approach world market prices and track their movement more closely. At the same time, Russian grain prices should remain below world market levels in the near to medium term due to continuing restrictions on grain flows in some regions of the country and continued physical and institutional infrastructure deficiencies. The latter problem is one that may take 10 years or more to rectify, because it involves large-scale investment in modernizing grain transport, storage, and other facilities, as well as developing market information systems and other institutions characteristic of a mature market economy.

Although it is difficult to predict the direction of Russian grain prices, it is possible that they could increase in real terms this year if unusually bad weather conditions cut the 1996/97 Russian grain harvest, if world prices grow, or if private grain trade in Russia expands faster than the moderate pace expected. A slower increase, or even a decrease, in Russian grain prices could occur in the event of a bumper 1996/97 grain harvest, a decline in the world price, or stagnant expansion in private Russian grain trade. In any case, it is unlikely that higher domestic grain prices will have a strong effect on bread prices, since the share of grain in retail price of bread is not expected to increase from its current 15-20 percent.

Higher grain prices could have implications for Russia's foreign grain trade. First, higher domestic prices should encourage increased grain production while reducing consumption and waste, resulting in lower imports. Already there are indications that farmers are responding to higher prices by increasing winter grain area and the pace of plowing for spring grains. An improved 1996/97 crop could limit Russia's imports for the third year in a row (table 5).

A second implication of potentially higher grain prices in Russia would be to maintain the sizable gap between Russian prices and comparable prices in Kazakstan or Ukraine and to encourage grain exports from those two countries to Russia. Ukrainian and Kazak food wheat prices were less than two-thirds the Russian level in 1995 (figure 5), and are unlikely to catch up with Russian prices in 1996. With Russian do-

Table 5--Supply and use of grain, total FSU 15 and major FSU countries [1]

Marketing year beginning July 1		Area	Production[2]	Trade [3] Imports	Trade [3] Exports	Availability	Utilization F.S.I.[4]	Utilization Feed & resid.	Utilization Total	Stock change
FSU-15		*1,000 ha*	*1,000 tons*							
Grains[5]	1991/92	99,790	152,463	43,683	3,610	192,536	73,413	127,759	201,172	(8,636)
	1992/93	100,165	185,000	36,310	9,680	211,630	73,776	130,189	203,965	7,665
	1994/95	92,985	142,454	10,943	7,160	146,237	69,611	89,869	159,480	(13,243)
	1995/96 [6]	90,550	119,550	11,365	5,025	125,890	67,404	74,244	141,648	(15,758)
Wheat	1991/92	45,910	72,028	23,845	2,180	93,693	49,338	49,052	98,390	(4,697)
	1992/93	47,119	89,714	24,103	6,800	107,017	49,480	52,544	102,024	4,993
	1994/95	42,265	60,238	8,877	5,255	63,860	46,370	30,316	76,686	(12,826)
	1995/96 [6]	44,535	59,735	9,230	3,600	65,365	46,343	28,262	74,605	(9,240)
Coarse	1991/92	53,880	80,435	19,838	1,430	98,843	24,075	78,707	102,782	(3,939)
grains [7]	1992/93	53,046	95,286	12,207	2,880	104,613	24,296	77,645	101,941	2,672
	1994/95	50,720	82,216	2,066	1,905	82,377	23,241	59,553	82,794	(417)
	1995/96 [6]	46,015	59,815	2,135	1,425	60,525	21,061	45,982	67,043	(6,518)
Russian Federation										
Grains[5]	1991/92	56,656	85,079	25,250	1,110	109,219	39,200	73,956	113,156	(3,937)
	1992/93	57,647	101,957	21,655	1,300	122,312	39,100	78,197	117,297	5,015
	1994/95	52,400	77,350	3,007	1,925	78,432	36,701	49,918	86,619	(8,187)
	1995/96 [6]	51,100	60,800	5,075	350	65,525	35,192	40,855	76,047	(10,522)
Ukraine										
Grains[5]	1991/92	12,850	36,213	2,635	650	38,198	14,450	25,021	39,471	(1,273)
	1992/93	12,141	35,093	2,150	380	36,863	14,450	23,605	38,055	(1,192)
	1994/95	11,505	32,383	340	195	32,528	14,003	20,448	34,451	(1,923)
	1995/96 [6]	12,350	31,850	100	1,700	30,250	14,127	18,210	32,337	(2,087)
Kazakstan										
Grains[5]	1991/92	22,112	11,250	945	1,550	10,645	5,844	7,863	13,707	(3,062)
	1992/93	21,803	28,863	400	7,700	21,563	6,165	11,280	17,445	4,118
	1994/95	20,335	15,960	2	4,950	11,012	5,827	7,051	12,878	(1,866)
	1995/96 [6]	18,315	9,260	0	2,550	6,710	5,200	3,770	8,970	(2,260)
Belarus										
Grains[5]	1991/92	2,435	5,996	2,675	240	8,431	2,220	6,461	8,681	(250)
	1992/93	2,532	7,050	2,010	280	8,780	2,293	6,292	8,585	195
	1994/95	2,635	6,018	900	25	6,893	2,103	4,948	7,051	(158)
	1995/96 [6]	2,595	5,800	720	25	6,495	1,910	4,785	6,695	(200)
Uzbekistan										
Grains[5]	1991/92	896	1,373	4,100	0	5,473	3,577	1,997	5,574	(101)
	1992/93	1,030	1,745	3,710	0	5,455	3,631	1,723	5,354	101
	1994/95	1,295	1,972	2,425	0	4,397	3,546	1,500	5,046	(649)
	1995/96 [6]	1,370	2,707	1,755	0	4,462	3,527	1,066	4,593	(131)
Moldova										
Grains[5]	1991/92	751	2,991	1,000	60	3,931	1,080	2,787	3,867	64
	1992/93	665	1,974	715	20	2,669	1,090	1,927	3,017	(348)
	1994/95	593	1,464	491	40	1,915	1,034	1,058	2,092	(177)
	1995/96 [6]	729	2,599	170	400	2,369	1,133	1,134	2,267	102
Other FSU (9)										
Grains[5]	1991/92	4,090	9,561	7,078	0	16,639	7,042	9,674	16,716	(77)
	1992/93	4,347	8,318	5,670	0	13,988	7,047	7,165	14,212	(224)
	1994/95	4,222	7,307	3,778	25	11,060	6,397	4,946	11,343	(283)
	1995/96 [6]	4,091	6,534	3,545	0	10,079	6,315	4,424	10,739	(660)

[1] FSU includes 15 countries. [2] Production is in cleanweight. [3] Includes intra-FSU and extra-FSU trade. [4] F.S.I. = food, seed, and industrial use. [5] Wheat and coarse grains only (excludes rice). [6] Preliminary. [7] Includes barley, corn, millet, oats, and rye.
Source: USDA, estimates as of March 1996.

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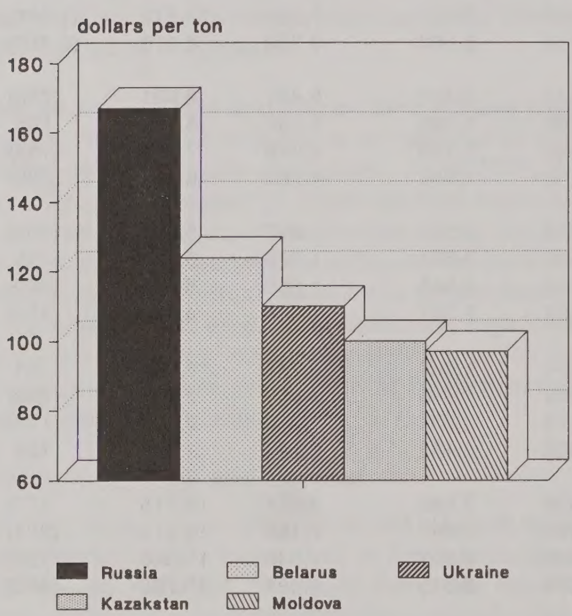
Figure 5
Non-State* Food Wheat Prices in July 1995



* Commodity exchange except Russia (OGO)

mestic grain prices closer to world market levels, Russia may prove a more attractive export target for Ukraine and Kazakstan, due to Russia's closer proximity and the lack of developed transport and other infrastructure to support exports from Kazakstan and Ukraine to world markets.

Third, higher domestic grain prices should give some regions of Russia such as the Far East added incentive to import grain from world markets to overcome high domestic transport costs. The most likely Western suppliers would be the United States, Canada, and Australia given their competitiveness and access to Pacific ports. This assumes little or no progress in reducing the prohibitively high domestic transport costs within Russia, a fair assumption given the decade or more it would take to modernize Russia's huge and very obsolete transport system.

Fourth, higher grain prices could further depress wheat imports by encouraging flour imports in their place. Added incentive is provided by Russia's obsolete, inefficient milling sector, which is not competitive by world standards. Thus, Russian flour consumers may choose to import flour directly, potentially reducing demand for grain imports.

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